

THE TREASURY.

Secretary Carlisle's Annual Report Sent to Congress.

RETIREMENT OF GREENBACKS

Strongly Urged—Much of the Report Devoted to a Discussion of Currency Reform and Free Trade—Estimated Deficiency of Revenue for Next Year is \$17,000,000, and Yet the Secretary Says Revenue Legislation is Unnecessary.

WASHINGTON, D. C., Dec. 21.—The annual report of Secretary of the Treasury Carlisle, which has already been extensively reviewed in the President's message, starts out with a statement of the revenues and expenditures for the last fiscal year, the revenues from all sources being \$369,654,488 and the expenditures \$351,678,654, leaving a deficiency of \$25,205,243. The estimated deficiency for the current year is \$64,500,000, and for the year ending June 30, 1897, under the existing law, \$45,550,532.

These estimates of receipts and expenditures the secretary says are made upon the assumption that there will be no substantial change in existing conditions and that the present scale of public expenditures will not be reduced.

But if our ordinary business activity should be resumed, and the consumption of articles subject to taxation should increase to its normal proportions, there may be in fact, the secretary says, no deficiency in our revenues.

In his discussion of the currency question the secretary makes an exhaustive argument in favor of the retirement from circulation of United States and treasury notes, in the course of which he says:

"Since March 1, 1895, United States bonds to the amount of \$262,518,400 have been issued and sold for \$225,481,894 in gold, while during the same time notes have been redeemed in gold to the amount of \$457,038,555, and on the first day of December, 1896, there was free gold in the treasury to the amount of \$11,519,532. Since the resumption of specie payments on the first day of January, 1897, United States notes to the amount of \$430,499,687 and treasury notes issued under the act of 1890 to the amount of \$86,425,881, making \$516,925,568 in the aggregate, have been redeemed in gold, and more than \$35,560,000 have been twice redeemed."

"Our experience since the resumption of specie payments had so thoroughly demonstrated the impolicy of attempting to maintain the circulation of these notes as a permanent part of our currency, that further argument upon the question seems to be unnecessary, except for the purpose of again pressing the subject upon the attention of Congress and urging the prompt adoption of such measures as will, within a reasonable time, eliminate this element of weakness from our system."

"The use of these notes as a circulating medium compels the government to provide a large gold reserve for their current redemption, and as they are re-issued when redeemed, such reserve must be replenished from time to time, in order to afford the public a reasonable assurance that no default will be made in the discharge of our public obligations. The difficulty of procuring gold for this purpose is greatly increased at the very times when the possession is most necessary, and, consequently, the government, being at such times entirely deprived of gold receipts from the ordinary sources of revenue, is compelled to issue and sell bonds upon terms less favorable than might be procured under other circumstances."

The annual interest upon the addition to the public debt which has been made to procure and maintain the reserve amounts to \$16,323,616, and the aggregate of the principal and interest at the maturity of the bonds will be more than \$541,000,000, and yet the notes themselves, on account of which this enormous indebtedness has been incurred, will, if our present policy is maintained, remain unpaid. But it cannot be safely assumed that this will be the whole measure of the burden imposed upon the people, because, if provision is not made for the cancellation of this currency, it is reasonably certain that emergencies will necessarily arise, from time to time, compelling the issue and sale of additional bonds to replenish the reserve, thus increasing our interest-bearing debt, without in the least diminishing our obligations on account of the notes."

"Although the actual ability of the government to redeem its notes promptly in gold coin may be undisputed, still the question whether they will be or ought to be so redeemed must always be open to public discussion, and it is well known that the constant agitation of this question during the past few years has upon several occasions greatly imperiled the safety of our entire currency system. So long as the United States notes remain in circulation, questions as to the mode and manner of their redemption, and as to the means of procuring and maintaining a coin reserve for that purpose, will be made political issues, and so long as these questions remain in politics public confidence in the stability of our currency must be more or less disturbed."

Every menace to the gold reserve, and every manifestation of a formidable public sentiment in favor of the redemption of our notes otherwise than in gold coin, at once alarms the whole business community, depresses trade and industry, and impairs the value of our public and private securities in all the markets of the world. There is but one absolutely certain way to remove this delicate and dangerous question from our party politics, and that is to retire and cancel the notes. All attempts to hoard them permanently by the government must fail, for the obvious reason that our people will not consent to be taxed merely for the purpose of accumulating and holding a large and useless surplus in the treasury.

"I am thoroughly convinced that the retirement and cancellation of United States notes of both classes, under such reasonable limitations, and restrictions, as to time and methods as Congress may see proper to prescribe, or as a prudent secretary of the treasury would adopt in the exercise of his official discretion, would not result either permanently or temporarily, in an injurious contraction of the currency."

"The people, if left free to conduct their business affairs in their own way, will always decide for themselves how much money they need, and, unless prevented by artificial obstructions, the necessary amount will always be supplied, either from their own resources at home, or through exchanges abroad. The volume of business transacted determines the amount of money and credit required, and whenever the volume of business demands an additional supply of money or an extension of credit, the demand will certainly be complied with, provided the laws do not interfere to prevent it. As rapidly our notes are redeemed and canceled, gold or a currency we good, as

gold, will take their places in the circulation, at the interests of the country require it."

The secretary refers to his recommendation last year that the secretary of the treasury be authorized to issue from time to time low interest long time gold bonds, and to exchange them for United States notes and treasury notes, and assumes that so radical a measure would not receive the assent of Congress now. He suggests that at the very least authority should be given to retire and cancel a maximum amount of notes each year. The adoption of such a policy would give immediate assurance of a purpose to return within reasonable period to a safe and elastic currency system.

He recommends amendment to the national banking laws to permit the issue of circulating notes equal in amount to the face value of the bonds deposited and reduce the tax entitles to one-fourth of one per cent per annum.

The secretary make a detailed statement of the expenditures and revenue of the government, which was reviewed in the President's message. Among other things he said:

"For the eleven months next preceding December 1, 1896, the total value of our imports, dutiable and free, was \$116,500,000 less than during the corresponding eleven months in the calendar year 1895, the decrease in free goods being \$16,300,000, and in dutiable goods \$51,500,000. More than four-fifths of these large decreases occurred in the first five months of the present fiscal year, the falling off during that period being \$26,250,000 in free goods, and \$41,679,000 in dutiable goods."

"It is believed that a careful consideration of the existing situation and conservative reliance upon improved business conditions in the future, fully justify the conclusion that the estimated deficiencies for the current year and for the year 1898 will not be reduced. But if our ordinary business activity should be resumed, and the consumption of articles subject to taxation should increase to its normal proportions, there may be in fact, the secretary says, no deficiency in our revenues."

In his discussion of the currency question the secretary makes an exhaustive argument in favor of the retirement from circulation of United States and treasury notes, in the course of which he says:

"Since March 1, 1895, United States bonds to the amount of \$262,518,400 have been issued and sold for \$225,481,894 in gold, while during the same time notes have been redeemed in gold to the amount of \$457,038,555, and on the first day of December, 1896, there was free gold in the treasury to the amount of \$11,519,532. Since the resumption of specie payments on the first day of January, 1897, United States notes to the amount of \$430,499,687 and treasury notes issued under the act of 1890 to the amount of \$86,425,881, making \$516,925,568 in the aggregate, have been redeemed in gold, and more than \$35,560,000 have been twice redeemed."

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